

TECH · A.I.

The ‘bond kings’ Bill Gross and Jeffrey Gundlach made billions with their computer-like market knowledge. Now BondGPT is here to ‘inform and expedite vital pricing decisions’

By Will Daniel

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ChatGPT is far from the only A.I. application on the market. A number of hedge funds have been using A.I. to help with mundane back-office work, from data entry to client communications, and JPMorgan Chase is leveraging the technology to help predict Federal Reserve officials’ actions. The bank even filed a trademark application earlier this year for “IndexGPT,” an A.I. software service that can be used for the “selection of financial securities and financial assets.” But on Wednesday, *Fortune* got an inside look at one of the latest generative A.I. tools institutional investors are using—BondGPT.

The institutional fixed-income broker-dealer LTX, a subsidiary of the \$18 billion fintech firm [Broadridge Financial Solutions](#), just released its own generative A.I. tech, based on OpenAI’s GPT-4, to help answer bond-related questions and identify tradable corporate bonds on its platform. Jim Kwiatkowski, CEO of LTX, told *Fortune* that he hopes the product helps bond traders better “inform and expedite vital pricing decisions” by aggregating all of LTX’s A.I. tools into an easy-to-use chatbot.

And if you know anything about bond trading, this could be a very big deal indeed. Consider the industry has not one but two “bond kings,” [Bill Gross](#) and [Jeffrey Gundlach](#), billionaires who had the equivalent of BondGPT stored in their brains and parlayed that into unthinkable fortunes.

But to understand the impact that BondGPT and other A.I. tools like it might have on the world of finance, you have to consider how we got here first.

The fastest adoption of any app in history

Generative A.I. technology is nothing new. But when OpenAI released ChatGPT last November, the revolution suddenly became very tangible. The A.I. chatbot was able to lure 100 million monthly active users in under two months—the fastest growth of any application in history—and investors were quick to jump on board. [Microsoft](#), which offered a vote of confidence in OpenAI with a \$10 billion investment in January, has seen its stock surge over 39% year to date amid the A.I. enthusiasm. Exchange-traded funds that track A.I. stocks have followed suit.

The potential for A.I. to reshape the world’s economy is becoming increasingly difficult to deny these days. The billionaire investor and hedge fund legend Stanley Druckenmiller told CNBC last month that A.I. “could be every bit as impactful as the internet,” and in March, Microsoft cofounder Bill Gates called it as “fundamental as the creation of the microprocessor” or “the mobile phone.”

But Kwiatkowski revealed that BondGPT, while a massive leap forward for LTX, is merely another incremental step forward in the company’s push into A.I. “LTX has been building A.I. tools for our bond trading customers as long as we’ve been in existence. The challenge we’re trying to solve now is how do we pull all this data and all of these A.I. tools together and give somebody one simple user interface,” the CEO said, noting that BondGPT is their first crack at that task.

In a sample demonstration, Kwiatkowski asked BondGPT to show us “telecom bonds yielding between 5% and 8%, maturing after 2030.” Within seconds, a list of bonds that fit that definition appeared, along with in-depth data about each one, a trade function, and a chart comparing the bonds’ yields and maturities.

Kwiatkowski also noted that BondGPT uses additional, non-GPT-4 A.I. systems that LTX created in house to essentially fact-check BondGPT's answers before it delivers them.

"There's another level of generative A.I. in BondGPT, which looks at the answer we're about to provide the user and effectively compliance-checks it," he explained. "So the first thing we're doing is interpreting the question; the second thing we're doing is gathering the data and forming the answer; and last but not least, we're making sure we've done a good job."

As a registered broker-dealer, LTX does not provide investment advice, which means BondGPT strictly provides data and trading options to educate institutional investors and save them valuable time.

"We really needed to fine-tune it that way, because we didn't want it to give you recommendations. Financial market participants don't want creative answers, they want factual answers," he explained.

That means, for now at least, generative A.I. systems like BondGPT won't be replacing any employees at hedge funds or trading houses—but they should help boost their productivity.

It's just the beginning for A.I. investing technology

While BondGPT and other generative A.I. tools that are meant for institutional investors represent a huge

step forward in A.I. technology, Kwiatkowski said it's really just the beginning of a new age in the field.

To the best of his knowledge, BondGPT is the first institutional version of a ChatGPT-based investing tool that is in production and going on trading floors to be used by bond traders, "but it won't be the last. There'll be others that are likely to be tuned around particular use cases, workflows, datasets. It's just going to evolve very, very rapidly from here."

Martin Koopman, Broadridge's chief product officer and co-head of A.I., told *Fortune* that he expects A.I. advancements to surprise many consumers and even institutional investors. He noted that, in the past, A.I. tools were difficult to use and only available to Ph.D.s, but everything has changed over the past year.

The technologist described how he was able to use GPT-4 to program an entire website during a five-hour flight, something that would have taken him days or even weeks in the past. This level of increased productivity is coming for institutional investors, too, he says.

On top of that, because generative A.I. systems are now so skilled at writing software code, Koopman said he sees a point in the near future where A.I. applications could create their own A.I. software. "And now you're into the room of science-fiction writers, and the implications of that are out of my pay depth," he said.

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